Market Intelligence February 2019

AHDB

HORIZON

Bitesize

Brexit prospects for UK horticulture trade

FOREWORD

AHDB has been at the forefront of analysis and insight relating to Brexit's impact on UK agriculture. We have explored areas including trade, policy, availability of labour and the regulatory environment in our Horizon series of publications in order to help farmers and growers understand the changes ahead and how they can best prepare their businesses in these uncertain times.

At the time of writing (January 2019), there remains considerable uncertainty regarding many aspects of Brexit, including the UK's future trade relationship with the European Union (EU).The prospect of a 'no deal' Brexit cannot be ignored and we now find ourselves in a very fluid and rapidly changing political environment. A 'no deal' scenario could have a seismic impact on UK trade in agricultural products and, subsequently, major implications for all of the UK's agricultural sectors. It is crucial that this is understood by farmers and policy makers if disruption throughout the industry is to be avoided.

In response, AHDB will be publishing relevant information to help our farmers and growers understand the evolving situation, what it means for them and how they can prepare.

The aim of this report is to provide readers with an understanding of how Horticulture trade could be affected once the UK leaves the EU, under both an agreed withdrawal and under a 'no deal' scenario.

HORTICULTURE

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AHDB Strategy Sector Director

The UK is heavily reliant on imported fresh produce, notably fruit, vegetables, salad crops and many ornamental plants that cannot be grown here out of season. Much of the imported fruit and many ornamental plants are imported from outside the EU. Most of these imports are tariff-free under existing EU trade agreements.

Under a ‘no deal’ scenario, the UK would be considered as a third country by the EU and so the trade agreements the EU has with other countries would no longer apply. However, the UK could unilaterally decide to waive the tariffs on both imported produce and on imported fertilisers, pesticides, biocontrol agents, and other materials used to grow horticultural crops in the UK. This could open the door to increased volumes of imports, possibly of a lower phytosanitary standard, but it could also make UK horticultural production more competitive. This may create notional opportunities for import displacement but in practice most growers would be unable to respond because of the now critical shortage of competent seasonal labour in the UK.

What's the current trade situation?

The main focus of the UK horticulture sector is the domestic market. While total horticulture exports have grown in recent years, they pale in comparison to the level of imports.

In 2017, total horticultural exports (excluding potatoes dried vegetables) were 737 kt, while imports of fruit and vegetables totalled approximately 7.5 Mt. Most UK horticulture exports are destined for the EU, with an average (2013–2017) of 18% shipped to non-EU countries (Figure 1), particularly Egypt.

Most UK dried leguminous vegetable exports are to Egypt, accounting for 42% of exports in 2017 (compared with the five-year average of 66%).

UK fruit imports have experienced steady growth in recent years, reaching 4.3 Mt in 2017 (Figure 2). Between 2013 and 2017, UK fruit imports were worth an average of £3.8 billion. Around 60% of UK fruit imports are from non-EU countries, with South Africa a key source.

Unsurprisingly, fruit that can't be grown in the UK comprises a considerable proportion of imports. Banana imports accounted for an average of 29% of all fruit imports between 2013 and 2017. Oranges, satsumas, clementines and mandarins comprised an average of 15% of all fruit imports over the same time period, while imports of melons were 6%, on average. Nevertheless, home-grown fruits such as apples are also imported in large numbers and accounted for an average of 11% of all fruit imports from 2013 to 2017.

UK vegetable imports (excluding potatoes) were worth £3.2 billion in 2017 (five-year average: £2.9 billion). Around 80% of vegetable imports are from the EU, particularly Spain and the Netherlands (Figure 3).

The data for UK vegetable imports includes provisionally preserved, cooked, frozen and dried vegetables.

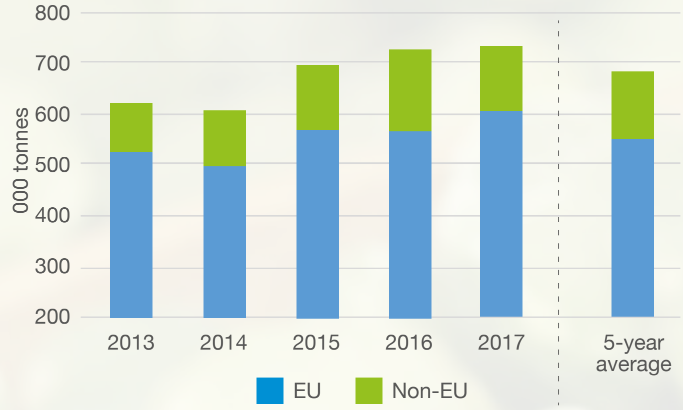

Figure 1. **UK horticulture exports (excluding potatoes and dried vegetables)**

Source: HMRC

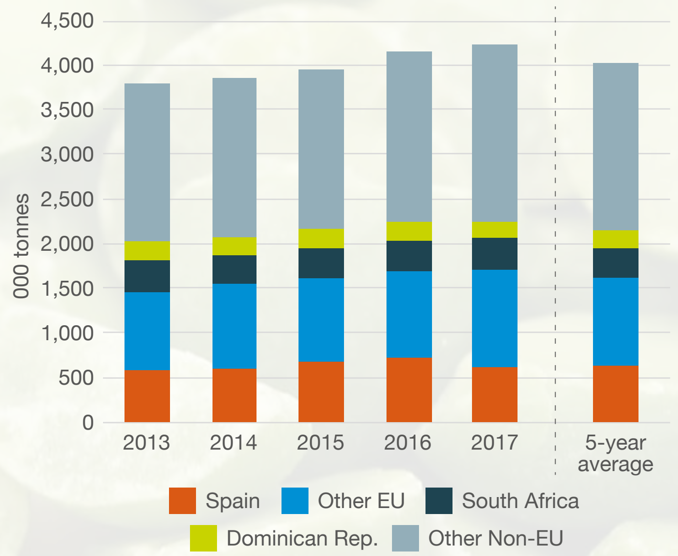

Figure 2. **UK fruit imports**

Source: HMRC

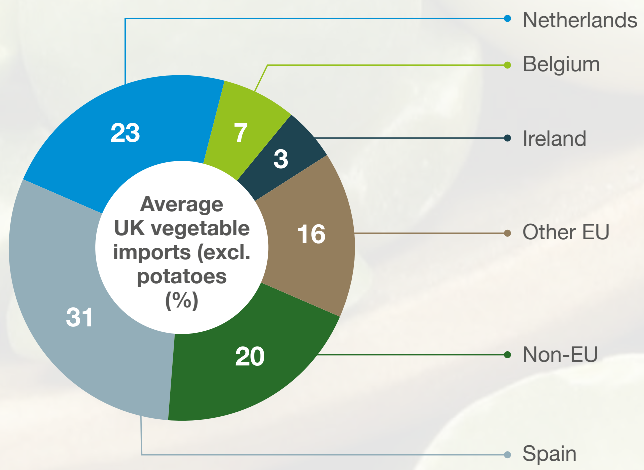

Figure 3. **Average UK vegetable imports (excluding potatoes), 2013–2017**

Source: HMRC

Tomatoes and onions accounted for an average (2013–2017) of 13% and 10% respectively of all vegetable imports (excluding potatoes). UK tomato imports were worth an average of £431 million (2013–2017), but were £494 million in 2017 due to higher tomato prices. The average value of UK onion imports (2013–2017) was £123 million.

For fresh/chilled vegetables (excluding potatoes), imports averaged 2.06 Mt between 2013 and 2017, with 87% sourced from the EU (particularly Spain).

Imports of processed/prepared vegetable and fruit products from 2013–2017 were 3.04 Mt on average, with an average value of £2.5 billion. Fruit juices comprise a considerable share of processed horticultural goods imports, worth £681 million on average (2013–2017).

Imports of ornamental horticulture products have grown in recent years, reaching over 415 kt in 2017 (Figure 4). From 2013 to 2017, on average, 91% of ornamental horticultural goods were sourced from the EU, predominantly from the Netherlands (although the 'Rotterdam effect' may be at play here).

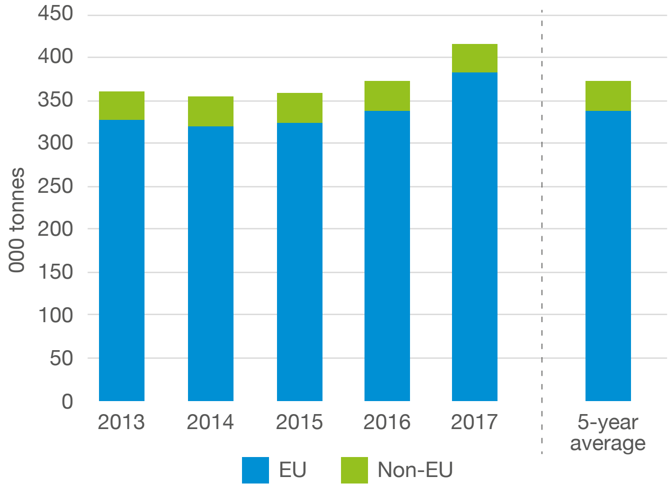

Figure 4. **UK imports of plants and cut flowers**

Source: HMRC

Kenya and Colombia are the main non-EU origins for cut flowers. Cut flowers have comprised 36% of all ornamental horticultural produce on average (2013–2017). In value terms, based on the five-year average, cut flower imports have comprised 36% of the total value of ornamental horticultural product imports.

What does the domestic supply and demand situation look like?

Domestic production of fruit is considerably lower than that of fresh vegetables (Figure 5). Therefore, the UK is more dependent on fruit imports to satisfy demand, compared with vegetables. As a result, the UK's self-sufficiency ratio for fruit is lower than that for vegetables. Continued access to fruit imports at similar prices will be of great importance following Brexit.

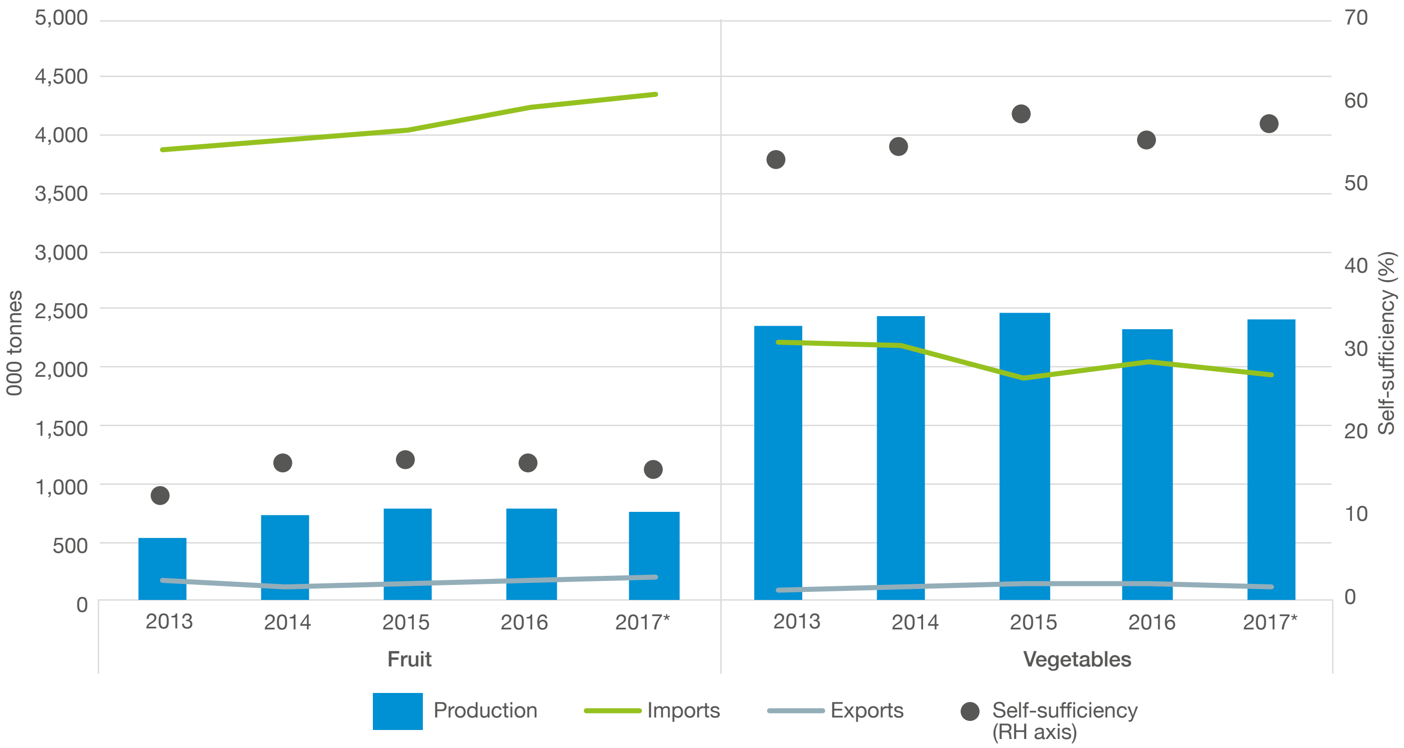

Figure 5. **UK Fruit and vegetable supplies**

*2017 production figure is provisional ~ Fresh/chilled vegetables, excluding potatoes
NB: Consumption figures used for self-sufficiency calculation were derived using production + imports - exports.
Source: Defra, HMRC

What impact could tariffs have?

The EU imposes a third-country duty of €114/t on fresh banana imports. There are instances where there is a lower tariff for certain countries due to trade agreements (e.g. banana imports from Colombia are subject to a tariff of €89/t). Countries that come under the CARIFORM – EU Economic Partnership Agreement, such as the Dominican Republic, can export bananas to the EU tariff-free. If the UK adopts the EU's third-country tariff rate on banana imports, then this could lead to higher prices for consumers, at least until other trade deals or arrangements are made.

As Table 1 shows, the third-country tariff on imports of fresh oranges – one of the main fruits imported – is fairly high. It was mentioned earlier that despite domestic production, apples are imported in high numbers. However, if tariffs are imposed, this may influence import substitution by producing more domestically.

Tomatoes and onions, which comprise around a quarter of all vegetable imports, may be subjected to variable tariffs and a tariff of 9.6% respectively if the UK sets similar import tariffs as the EU.

At the time of writing, details of tariff rates the UK may impose on imports in a 'no deal' Brexit were not available.

Tariffs on processed fruit and vegetable products tend to be higher than those on the raw products and are designed to offer protection to the EU's processors.

Table 1. **EU third-country tariffs on selected fresh fruit and vegetable imports**

Code	Commodity	Tariff
08039010	Bananas	€114/t; 19% ad valorem (2017)
080510810	Oranges	16%
08071100	Watermelons	8.8%
080400010	Avocados	5.10%
0804500010	Mangoes	0%
080810	Apples	Varies depending on rate and price
0702	Tomatoes	8.8% (1 Jan–14 May, 1 Nov–31 Dec), 14.4% (15 May–31 Oct) and variable amount depending on price
070310	Onions	9.6%
0706100010	Carrots	13.6%
0707	Cucumber	12.8% (1 Jan–15 May, 1 Nov–31 Dec), 16% (16 May–31 Oct) and variable amount depending on price
070810000	Peas	8.0%
070930000	Aubergines	12.8%
0709601000	Sweet peppers	7.2%

EU import tariff rates for selected horticultural products

Within a report of this kind, it is impractical to list tariff rates for all products. The table below, therefore, covers a selection of the main products either imported or exported by the UK.

Code	Product	Tariff rate
06	Live plants, bulbs, roots, cut flowers and ornamental foliage	
06029050	Outdoor plants other than trees of shrubs	8.3%
06029091	Indoor flowering plants, with buds or flowers, excluding cacti	6.5%
0603	Fresh cut flowers	8.5% (1 Jan–31 May, 1 Nov–31 Dec) 12% (1 Jun–31 Oct)
07	Edible vegetables	
07020000	Fresh or chilled tomatoes	8.8% (1 Jan–14 May, 1 Nov–31 Dec) 14.4% (15 May–31 Oct) + variable amount depending on price
07031019	Fresh or chilled onions (other than sets)	9.6%
07041000	Fresh or chilled cauliflowers and headed broccoli	9.6% (1 Jan–14 Apr, 1–31 Dec) 13.6% (15 Apr–30 Nov) Minimum €1.1/100 kg or €1.6/100 kg
07051900	Fresh or chilled lettuce (excluding cabbage lettuce)	10.4%
07070005	Fresh or chilled cucumbers	12.8% (1 Jan–15 May, 1 Nov–31 Dec) 16% (16 May–31 Oct) + variable amount depending on price
07082000	Fresh or chilled beans	10.4% (1 Jan–30 Jun, 1 Oct–31 Dec) 13.6% (1 Jul–30 Sep) Minimum €1.6/100 kg
07095100	Fresh or chilled mushrooms of the genus *Agaricus*	12.8%
07096010	Fresh or chilled sweet peppers	7.2%
07108095	Frozen vegetables not elsewhere specified	14.4%
07133390	Dried kidney beans	Free
08	Edible fruit and nuts, peel of citrus fruit or melons	
08039010	Fresh or dried bananas	€117/tonne
08043000	Fresh or dried pineapples	5.8%
08044000	Fresh or dried avocados	4% (1 Jan–31 May, 1–31 Dec) 5.1% (1 Jun–30 Nov)
08045000	Fresh or dried guavas, mangos and mangosteens	Free
08051020	Fresh or dried sweet oranges	16% (1 Jan–31 Mar, 16 Oct–31 Dec) 10.4% (1–30 Apr) 4.8% (1–15 May) 3.2% (16 May–15 Oct) + variable amount depending on price
080521	Fresh or dried mandarins and wilkings	16% + variable amount depending on price
08052200	Fresh or dried clementines	16% + variable amount depending on price
08055010	Fresh or dried lemons	6.4% + variable amount depending on price
08061010	Fresh table grapes	11.5% (1 Jan–14 Jul, 1 Nov–31 Dec) 14.1% (15 Jul–31 Oct) + variable amount depending on price
08062030	Sultanas	2.4%

Code	Product	Tariff rate
08	Edible fruit and nuts, peel of citrus fruit or melons	
08071900	Fresh melons (excluding watermelons)	8.8%
08081080	Fresh apples (excluding bulk cider apples)	Rate varies depending on price and date
08083090	Fresh pears (excluding bulk perry pears)	Rate varies depending on price and date
08101000	Fresh strawberries	11.2% (1 Jan–30 Apr, 1 Aug–31 Dec) 12.8% (1 May–31 Jul) Minimum €2.4/100 kg
08104050	Fresh cranberries and blueberries	3.2%
20	Processed vegetables, fruit and nuts or other parts of plants	
20021010	Peeled tomatoes, prepared or preserved	14.4%
20055100	Shelled beans, prepared or preserved, not frozen	17.6%
20091200	Orange juice, Brix value <=20	12.2%
20091919	Orange juice, Brix value >67, value >=€30/100kg	33.6%
20091998	Orange juice, Brix value 20-67, value>=€30/100kg	12.2%

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